

BPA Review of Recommended Improvements to the Northwest Transmission System

The July 2004 paper entitled “Recommended Improvements to the Northwest Transmission System” developed by the “Transmission Issues Group” (TIG) states that real problems face the region that should be addressed in the near term. It goes on to identify “concrete but incremental steps (that) can and should be taken to improve access to and the efficiency of the region’s transmission system.” The recommendations are based on the premise that an evolutionary approach is the best way to solve these regional transmission problems.

It is important to note there is strong agreement between the problems and opportunities (e.g., improved reliability, need for monitoring of markets, effective planning and expansion processes, flow based ATC and region-wide service, one stop shopping) identified in the TIG paper and those identified in the Regional Representatives Group (RRG) process which is developing Grid West. It is also worth noting that BPA participated in the TIG process earlier, when it had more parties involved and was sponsored by PNUCC. BPA understood that the TIG group decided last fall to suspend activities in lieu of the RRG discussions. We now understand that a subset of the group began meeting again in the spring, but no longer as a PNUCC workgroup.

As BPA reviewed the TIG paper, we found much that we agreed with. BPA is involved actively in most of the activities identified in the paper.

- BPA is an active participant in the Northwest Transmission Assessment Committee (NTAC) transmission planning process.
- BPA has taken steps to host the Pacific Northwest Security Coordinator (PNSC) in the BPA control center, providing the PNSC with the tools it needs to accomplish its mission.
- BPA has signed a contract with Open Access Technology International (OATI) to provide BPA assistance in the transmission scheduling arena for unscheduled flows (WEBSAS) and understands that OATI may have other tools that could one day allow BPA’s Open Access Same-time Information System (OASIS) to integrate with that of other transmission providers in the region.
- BPA has actively participated in discussions concerning the establishment of a market monitoring function in the PNW and for the West. (Indeed, through BPA’s financial support of Grid West and the Seams Steering Group-Western Interconnection, BPA has enabled these discussions to occur.)
- BPA was the first transmission provider in the PNW to explore the use of a flow-based Available Transmission Capacity (ATC) methodology.

In these forums and others, BPA will continue to support incremental improvements to the region's transmission system, even as it continues to participate in the broader RRG process aimed at comprehensive solutions to the region's problems.

However, we believe the improvements recommended by the TIG are unlikely to fully address the problems facing the region's transmission system.

- Our expectation is that NTAC, as currently structured, is not likely to overcome the difficulties in obtaining agreement on a regional plan, nor does it have the authority to get a plan implemented. For example, the NTAC group has not agreed to do any work related to identifying responsibilities for implementation (e.g., analyzing the level of benefits that would flow to different parties), which is critical to getting any plan implemented.
- While BPA supports giving the PNSC additional tools to allow it to be a more effective reliability coordinator, we also believe that a consolidation of control areas is a critical step in strengthening the system's reliability. Such consolidation, which is voluntary in the Grid West proposal, would provide the expanded operating authority that would help avoid cascading reliability problems. Control area consolidation would reduce the number of control area operators who would be involved in responding to a system emergency, and provide efficiency in the use of generation to provide load following services and reserves. Control area operators are not likely to be willing to turn their control area operations over to other control area operators, who can be viewed as competitors in today's marketplace. Thus, an independent transmission authority would be needed to facilitate this control area consolidation and provide timely responses to reliability problems.
- While OATI or other platforms could be used to support a single OASIS web site, the major improvements in reducing transaction costs and improving efficiency will come from managing the grid as a single machine. This likely requires a system-wide, flow-based identification of available transmission capacity; establishment of a central decision-maker for system-wide access decisions; and the ability of a transmission user to acquire new system-wide transmission with one business transaction and payment of a license plate rate. The adoption of a single OASIS web site, by itself, does not provide these benefits. The proposed Grid West transmission operator would be able to consolidate and reduce the cost of business transactions.
- We agree with the paper's conclusion that no existing organization could carry out the necessary market monitoring function.

The TIG paper suggests that, with the exception of market monitoring, all the necessary improvements can be accomplished by existing entities working together. The paper describes some of the matters that would require the agreements of many transmission owners -- not only on the initial approach but also on how decisions are made and who makes them through time:

- a standard methodology for calculating and releasing system-wide ATC on a short-term basis, as well as for achieving such other standardization of terms, conditions and protocols as is practicable;
- a common methodology to support price discounting and revenue sharing;
- Open Access Transmission Tariffs (OATTs) to provide, and offer through the OASIS, new standard transmission products and practices, such as partial year service and firm redirected service;
- development of an NTAC regional transmission expansion plan;
- funding for an oversight committee comprised (at least) of state regulators, Governor's offices, and other state agencies involved in transmission siting or approval;
- widely-accepted and understood information on the technical and economic effects of projects;
- administration by NTAC of system-wide transmission request queue and open-season process for commercial expansion;
- funding for a new market monitoring entity through a surcharge on transmission owners' existing Scheduling and System Dispatch ancillary service charges.

Reaching piecemeal agreement on any of these matters, and other matters not identified, would be very difficult. An effective decision-making and dispute resolution process would be critical. The paper does not deal with the serious governance issues that are embedded in its recommendations. For example, it would be extremely difficult to get all of the region's transmission owners to agree to a common ATC methodology. Even then, the methodology would require making assumptions and judgments during its application. The parties would need to be confident that these judgments are being applied in a neutral and fair manner by an unbiased entity.

BPA's current view is that success in each of these areas will be more likely accomplished by a new entity that is granted certain decision-making authority but is responsive to the region and independent of any existing market participant, including current transmission providers. We agree that the creation of such an entity requires great care. That is why BPA is seeking the views of stakeholders in the region on whether the proposed Grid West bylaws have identified the right governance issues and dealt with them properly.

But even as the Grid West process moves forward and continues to be tested, BPA intends to work with others in the region, including the TIG participants, in seeking incremental improvements that can be accomplished under existing institutional arrangements. The fact that the Grid West process does not call for a final decision to go operational and implement the beginning state until early CY 2007 allows for time to see if and how well any of these discrete initiatives might work.